



## Molemole Municipality

Molemole Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2016

# Molemole Local Municipality

(Registration number LIM 353)

Annual Financial Statements for the year ended 30 June 2016

## General Information

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<b>Legal form of entity</b>	Local Government
<b>Nature of business and principal activities</b>	Performing the functions as set out in the Constitution (Act no 105 of 1996). Providing municipal services and maintaining the best interests of the local community mainly in the Mogwadi area.
Mayor	Cllr MP Makgato
Councillors	Cllr M.E. Paya Cllr D. Matlou Cllr A. Phihlela Cllr R. Moseamo Cllr D. Lehong Cllr S. Senoamadi Cllr M. Maila Cllr A. Moyo Cllr M. Duba Cllr E. Rahlana Cllr M.E. Mphelo Cllr N.W. Seakamela Cllr M. Malema Cllr M. Tawana Cllr C. Matjee Cllr N.E. Ramalepe Cllr N.G. Makgalo Cllr P. Mehala Cllr J. Hlapa Cllr A. Makgoka Cllr M.P. Nkoana Cllr M. Mapara Cllr A. Mahlophe Cllr L. Moabelo Cllr P. Rakubu Cllr M. Masekela
<b>Grading of local authority</b>	Level 3 Local Municipality
<b>Chief Finance Officer (CFO)</b>	E.K. Moloko
Municipal Manager	N. I. Makhura
<b>Business address</b>	303 Church Street Mogwadi 715
<b>Accounting Officer</b>	N.I. Makhura
<b>Postal address</b>	Private Bag X44 Mogwadi 715
<b>Bankers</b>	Nedbank
<b>Auditors</b>	Office of the Auditor General (Limpopo)

# **Molemole Local Municipality**

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## **Index**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### **Abbreviations**

COLD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## Molemole Local Municipality

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### Accounting Officer's Responsibilities and Approval

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The Accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

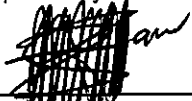
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 56, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2016 and were signed on its behalf by:

  
\_\_\_\_\_  
Accounting Officer  
N.I. Makhura

31/08/2016

# **Molemole Local Municipality**

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Annual Financial Statements for the year ended 30 June 2016

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2016.

### **1. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

### **2. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### **3. Accounting policies**

The following International Financial Reporting Standards were applied prior to the commencement dates in the current year:

Details to be input here...

The impact on the results of the municipality in adopting the above policies is reflected in note - to the annual financial statements.

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

# Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
<b>Assets</b>			
Current Assets			
Inventories	8	189 822	214 618
Other debtors	6	13 267 324	11 148 182
Receivables from exchange transactions	9	5 677 940	9 837 544
Receivables from non-exchange transactions	10	16 470 852	8 679 257
VAT receivable	11	5 440 192	514 058
Cash and cash equivalents	12	34 654 121	31 334 599
		<b>75 700 251</b>	<b>61 728 258</b>
Non-Current Assets			
Investment property	2	1 892 001	1 874 334
Property, plant and equipment	3	145 957 360	135 706 360
Intangible assets	4	799 592	1 135 056
Heritage assets	5	368 150	368 150
		<b>149 017 103</b>	<b>139 083 900</b>
<b>Total Assets</b>		<b>224 717 354</b>	<b>200 812 158</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	14	299 325	519 735
Payables from exchange transactions	19	9 774 032	7 671 147
Consumer deposits	20	492 592	476 478
Unspent conditional grants and receipts	15	2 018 664	3 649 221
Other current Liabilities	17	2 816 730	114 796
Current Employee Benefits	18	6 209 040	5 739 953
		<b>21 610 383</b>	<b>18 171 330</b>
Non-Current Liabilities			
Finance lease obligation	14	0	299 325
Employee benefit obligation	7	7 015 073	6 117 299
Provisions	16	10 297 892	8 684 456
		<b>17 312 965</b>	<b>15 101 080</b>
<b>Total Liabilities</b>		<b>38 923 348</b>	<b>33 272 410</b>
<b>Net Assets</b>		<b>185 794 006</b>	<b>167 539 748</b>
Reserves			
Revaluation reserve	13	41 089 085	39 671 288
Accumulated surplus		144 704 921	127 868 460
<b>Total Net Assets</b>		<b>185 794 006</b>	<b>167 539 748</b>

# Molemole Local Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	23	7 642 189	7 868 111
Rental of facilities and equipment		295 195	310 226
Interest received - Outstanding debtors		2 554 030	4 144 675
Licences and permits		3 296 249	3 987 769
Commissions received		2 188 588	1 277 971
Actuarial gains		115 307	-
Other income	24	977 932	438 368
Interest received - external investment	25	2 100 559	1 255 011
<b>Total revenue from exchange transactions</b>		<b>19 170 049</b>	<b>19 282 131</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	10 850 493	10 319 307
<b>Transfer revenue</b>			
Government grants & subsidies	26	140 722 555	122 589 504
Fines		1 877 650	1 398 467
<b>Total revenue from non-exchange transactions</b>		<b>153 450 698</b>	<b>134 307 278</b>
<b>Total revenue</b>	21	<b>172 620 747</b>	<b>153 589 409</b>
<b>Expenditure</b>			
Employee related costs	27	(62 227 085)	(59 052 619)
Remuneration of councillors	28	(8 659 340)	(7 650 725)
Actuarial Losses		-	(849 955)
Depreciation and amortisation	29	(8 386 057)	(7 201 992)
Finance costs	30	(1 066 823)	(827 815)
Debt Impairment	31	(10 198 833)	(6 130 228)
Repairs and maintenance		(5 828 037)	(3 116 765)
Bulk purchases	32	(8 299 046)	(7 073 013)
Contracted services	33	(2 901 362)	(3 106 114)
Loss on disposal of assets		0	(95 564)
General Expenses	34	(50 996 875)	(45 128 634)
<b>Total expenditure</b>		<b>(158 563 458)</b>	<b>(140 233 424)</b>
<b>Operating surplus</b>		<b>14 057 289</b>	<b>13 355 985</b>
<b>Surplus for the year</b>		<b>14 057 289</b>	<b>13 355 985</b>

## Molemole Local Municipality

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### Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	39 671 288	109 083 678	148 754 966
Adjustments			
Correction of errors - refer to note 40	-	5 087 602	5 087 602
<b>Balance at 01 July 2014 as restated*</b>	<b>39 671 288</b>	<b>114 171 280</b>	<b>153 842 568</b>
Changes in net assets			
Surplus for the year	-	13 355 985	13 355 985
Landfill site transferred from economic development dept 24/11/2014	-	297 790	297 790
Asset write offs as per council resolution	-	43 406	43 406
Total changes	-	13 697 181	13 697 181
<b>Balance at 01 July 2015</b>	<b>39 671 288</b>	<b>127 868 461</b>	<b>167 539 749</b>
Changes in net assets			
Revaluation of Assets	1 417 797	-	1 417 797
Net income (losses) recognised directly in net assets	1 417 797	-	1 417 797
Surplus for the year	-	14 057 289	14 057 289
Total recognised income and expenses for the year	1 417 797	14 057 289	15 475 086
Assets transferred from Dept. of Road	-	1 307 900	1 307 900
Truck transferred from CDM	-	1 550 733	1 550 733
Assets written off as per council resolution	-	(79 461)	(79 461)
Total changes	1 417 797	16 836 461	18 254 258
<b>Balance at 30 June 2016</b>	<b>41 089 085</b>	<b>144 704 922</b>	<b>185 794 007</b>
Note(s)	13		



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## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		13 732 360	19 800 585
Grants		139 091 999	121 987 059
Interest Income		2 100 559	1 255 011
		154 924 918	143 042 655
<b>Payments</b>			
Suppliers		(135 917 465)	(123 223 784)
Finance costs		(1 066 823)	(827 815)
		(136 984 288)	(124 051 599)
<b>Net cash flows from operating activities</b>	<b>36</b>	<b>17 940 630</b>	<b>18 991 057</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(14 002 743)	(13 400 646)
Purchase of other intangible assets	4	(98 631)	(694 873)
<b>Net cash flows from investing activities</b>		<b>(14 101 374)</b>	<b>(14 095 519)</b>
<b>Cash flows from financing activities</b>			
Movement in financial liabilities		-	143 944
Finance lease payments		(519 734)	(376 198)
<b>Net cash flows from financing activities</b>		<b>(519 734)</b>	<b>(232 254)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3 319 522</b>	<b>4 663 284</b>
Cash and cash equivalents at the beginning of the year		31 334 599	26 671 315
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>34 654 121</b>	<b>31 334 599</b>

## Molemole Local Municipality

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### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	12 283 909	(1 192 705)	11 091 204	7 642 189	(3 449 015)	Reduction emanated based on the continuous changes in respect to the electricity operation processes in the implementation of prepaid electricity meters.
Rental of facilities and equipment	256 370	30 481	286 851	295 195	8 344	
Interest received outstanding debtors	4 569 726	-	4 569 726	2 554 030	(2 015 696)	Due to the long outstanding debts written off ,interest charge on the initial balance had a reduction.
Licences and permits	7 602 114	(2 000 000)	5 602 114	3 296 249	(2 305 865)	Equipment technical break-down challenges led to the reduction of revenue to be collected by the municipality.
Commissions received	1 369 408	713 444	2 082 852	2 188 588	105 736	
Actuarial Gains	-	-	-	115 307	115 307	Actuarial gain as per actuarial report which was not known by time of budget.
Other income - (rollup)	929 699	291 101	1 220 800	977 932	(242 868)	Municipality budgeted for a cash surplus as part of other income.
Interest received - investment	1 200 000	1 000 000	2 200 000	2 100 559	(99 441)	
<b>Revenue - exchange transactions</b>	<b>28 211 226</b>	<b>(1 157 679)</b>	<b>27 053 547</b>	<b>19 170 049</b>	<b>(7 883 498)</b>	
<b>Revenue - non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	10 866 049	-	10 866 049	10 850 493	(15 556)	

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### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Transfer revenue</b>						
Government grants & subsidies	142 635 576	320 857	142 956 433	140 722 555	(2 233 878)	An amount of R 1.5 million was budgeted as a grant from CDM for operating expenditure. Only R157 000 was received.
Fines, Penalties and Forfeits	954 154	-	954 154	1 877 650	923 496	
<b>Revenue - non-exchange transactions</b>	<b>154 455 779</b>	<b>320 857</b>	<b>154 776 636</b>	<b>153 450 698</b>	<b>(1 325 938)</b>	
<b>Total revenue</b>	<b>182 667 005</b>	<b>(836 822)</b>	<b>181 830 183</b>	<b>172 620 747</b>	<b>(9 209 436)</b>	
<b>Expenditure</b>						
Personnel	(66 055 176)	(111 210)	(66 166 386)	(62 227 085)	3 939 301	Vacant and funded post not filled awaiting for de establishment of Aganang Municipality to accommodate employees to be transferred to Mole Mole Municipality
Remuneration of councillors	(10 246 420)	-	(10 246 420)	(8 659 340)	1 587 080	Time related (matching) of upper limits due to temporary downgrading of municipality.
Depreciation and amortisation	(4 232 000)	(3 768 000)	(8 000 000)	(8 386 057)	(386 057)	
Finance costs	(26 450)	-	(26 450)	(1 066 823)	(1 040 373)	Variance because of Interest on post retirement benefits and finance lease under budgeted.
Debt impairment	(3 170 280)	(2 829 720)	(6 000 000)	(10 198 833)	(4 198 833)	Long outstanding debts written off affected the debt impairment increase.
Repairs and maintenance	(4 385 592)	(2 117 000)	(6 502 592)	(5 828 037)	674 555	While budget adjustment was increased as anticipated, formal specifications for planned (capital maintenance) took time to develop into formal tender specifications.
Bulk purchases	(8 500 000)	-	(8 500 000)	(8 299 046)	200 954	
Contracted Services	(3 307 856)	-	(3 307 856)	(2 901 362)	406 494	Replacement of some ITC and IT equipment were delayed by telkom and Sita unforeseen requirements.

## Molemole Local Municipality

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### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
General Expenses	(33 190 783)	(2 320 146)	(35 510 929)	(50 996 875)	(15 485 946)	The over expenditure is due to movement of two Rall Roads from capital expenditure to operational expenditure. The two roads projects was budgeted under MIG capital grant. The Circular for RAL roads were issued when these projects were on implementation stage.
<b>Total expenditure</b>	<b>(133 114 557)</b>	<b>(11 146 076)</b>	<b>(144 260 633)</b>	<b>(158 563 458)</b>	<b>(14 302 825)</b>	
<b>Surplus</b>	<b>49 552 448</b>	<b>(11 982 898)</b>	<b>37 569 550</b>	<b>14 057 289</b>	<b>(23 512 261)</b>	
<b>Capital Expenditure</b>						
Executive and council	(100 000)	30 000	(70 000)	(4 900)	(65 100)	
Budget and treasury office	(50 000)	-	(50 000)	(49 566)	(434)	
Corporate services	(1 010 000)	(428 691)	(1 438 691)	(1 404 013)	(34 678)	Saving on Vat
Community and public safety	(5 702 550)	-	(5 702 550)	(4 577 753)	(1 124 797)	R500 000 is roll amount .R624797 is saving on vat
Planning and development	(500 000)	(400 000)	(100 000)	(74 500)	(25 500)	
Road transport	(38 513 600)	(2 075 420)	(40 589 020)	(6 036 007)	(34 553 013)	An amount of R24334456.92 is for Rall Roads , R1564798.53 is the amount for roll over. R1547325 is saving on va.
Electricity	(3 400 000)	58 814	(3 341 186)	(1 954 635)	(1 386 551)	R992214.50 is for roll over projects .R394336.50 is saving on vat
<b>Total Capital Expenditure</b>	<b>(49 276 150)</b>	<b>(2 815 297)</b>	<b>(51 291 447)</b>	<b>(14 101 374)</b>	<b>(37 190 073)</b>	

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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2016</b>											
<b>Financial Performance</b>											
Property rates	10 866 049	-	10 866 049	-	-	10 866 049	10 850 493		(15 556)	100 %	100 %
Service charges	12 283 909	(1 192 705)	11 091 204	-	-	11 091 204	7 642 189		(3 449 015)	69 %	62 %
Investment revenue	1 200 000	1 000 000	2 200 000	-	-	2 200 000	2 100 559		(99 441)	95 %	175 %
Transfers recognised - operational	111 118 576	-	111 118 576	-	-	111 118 576	110 475 979		(642 597)	99 %	99 %
Other own revenue	17 181 471	2 389 753	19 571 224	-	-	19 571 224	11 304 951		(8 266 273)	58 %	66 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>152 650 005</b>	<b>2 197 048</b>	<b>154 847 053</b>	<b>-</b>	<b>-</b>	<b>154 847 053</b>	<b>142 374 171</b>		<b>(12 472 882)</b>	<b>92 %</b>	<b>93 %</b>
Employee costs	(66 055 176)	(111 210)	(66 166 386)	-	-	(66 166 386)	(62 227 085)	-	3 939 301	94 %	94 %
Remuneration of councillors	(10 246 420)	-	(10 246 420)	-	-	(10 246 420)	(8 659 340)	-	1 587 080	85 %	85 %
Debt impairment	(3 170 280)	(2 829 720)	(6 000 000)	-	-	(6 000 000)	(10 198 833)	-	(4 198 833)	170 %	322 %
Depreciation and asset impairment	(4 232 000)	(3 768 000)	(8 000 000)	-	-	(8 000 000)	(8 386 057)	-	(386 057)	105 %	198 %
Finance charges	(26 450)	-	(26 450)	-	-	(26 450)	(1 066 823)	-	(1 040 373)	4 033 %	4 033 %
Materials and bulk purchases	(8 500 000)	-	(8 500 000)	-	-	(8 500 000)	(8 299 046)	-	200 954	98 %	98 %
Other expenditure	(64 897 831)	(4 758 003)	(69 655 834)	-	-	(69 655 834)	(59 726 274)	-	9 929 560	86 %	92 %
<b>Total expenditure</b>	<b>(157 128 157)</b>	<b>(11 466 933)</b>	<b>(168 595 090)</b>	<b>-</b>	<b>-</b>	<b>(168 595 090)</b>	<b>(158 563 458)</b>	<b>-</b>	<b>10 031 632</b>	<b>94 %</b>	<b>101 %</b>
<b>Surplus/(Deficit)</b>	<b>(4 478 152)</b>	<b>(9 269 885)</b>	<b>(13 748 037)</b>	<b>-</b>	<b>-</b>	<b>(13 748 037)</b>	<b>(16 189 287)</b>		<b>(2 441 250)</b>	<b>118 %</b>	<b>362 %</b>

## Molemole Local Municipality

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### Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	30 017 000	320 857	30 337 857	-	-	30 337 857	30 246 576		(91 281)	100 %	101 %
Surplus (Deficit) after capital transfers and contributions	25 538 848	(8 949 028)	16 589 820	-	-	16 589 820	14 057 289		(2 532 531)	85 %	55 %
Surplus/(Deficit) for the year	25 538 848	(8 949 028)	16 589 820	-	-	16 589 820	14 057 289		(2 532 531)	85 %	55 %

# **Molemole Local Municipality**

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## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

#### **1.1 Presentation currency**

These annual annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Comparative Information**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### **1.4 Standards, amendments to standards and interpretations issued but not yet effective**

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

- GRAP 25 Employee Benefits
- GRAP 105 Transfers of Functions Between Entities Under Common Control
- GRAP 106 Transfers of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers

Nature of impending changes in accounting policy:

- None.

Impact on the municipality's financial statements once implemented:

- None.

#### **1.5 Use of Estimates**

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may be undertaken in the future, actual results ultimately may differ from these estimates.

# Molemole Local Municipality

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## Accounting Policies

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### 1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. However, where an investment property was acquired through a non-exchange transaction (i.e. where municipality acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Transfers are made to or from investment property only when there is a change in use.

For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.



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### Accounting Policies

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The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings which are carried at a revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	
• Municipla Buildings	15 - 30 years
• Land	Indefinite

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## Accounting Policies

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### Infrastructure

• Roads	5 - 30 years
• Paving On Car Ports	5 - 30 years
• Electricity Network	5 - 45 years
• Single Fase Meters 97/98	2 -20 years
• Water	2 -20 years
• Sewerage	2 - 20 years
• Stormwater	5 - 30 years

### Community

• Community Buildings	15 - 30 years
• Recreational Facilities	20 - 30 years
• Tennis courts	20 - 30 years
• Swimming Pool And Pumps	5 - 10 years
• Security	5 -10 years
• Palisade Fence	3- 10 years
• Guard Room	2 - 30 years
• Parks and gardens	20 -30 years
• Taxi Rank	22 - 30 years

### Other property, plant and equipment

• Gates And Fencing	5 - 10 years
• Air conditioners	5 - 15 years
• Plant and equipment	5 - 30 years
• Security Measures	5 - 30years
• Other vehicles	5 - 10 years
• Specialised Vehicle	10 - 15 years
• Computer Equipment	5-10 years
• Office equipment	5-15 years
• Furniture and fittings	7- 15 years
• Bins and containers	2 -7 years
• Other items of plant and equipment	10 -15 years
• Landfill sites	30 - 45 years
• Computer equipment	3 - 15 years

### Finance Leased Assets

• Office equipment	3 - 7 years
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The residual value, the useful life and depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from the sale of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

## 1.8 Intangible assets

### Initial Recognition

# Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 7 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

# **Molemole Local Municipality**

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## **Accounting Policies**

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### **1.9 Heritage assets**

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

### **1.10 Financial instruments**

#### **Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

# **Molemole Local Municipality**

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## **Accounting Policies**

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### **Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest.

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

### **Fair value determination**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### **Investments**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### **Trade and Other Receivables**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

## **Molemole Local Municipality**

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### **Accounting Policies**

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An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **Trade Payables and Borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### **1.11 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

##### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

##### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

## **Molemole Local Municipality**

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Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies**

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#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the Statement of Financial Performance.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### **Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

#### **Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

#### **1.12 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

## **Molemole Local Municipality**

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### **Accounting Policies**

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Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### **Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Subsequent inventories are measured at the lower of cost and net realisable value.

Inventories comprise current assets held for sale or for consumption during the ordinary course of business and are measured at the lower of cost and current replacement cost where they are held for;

- a) distribution at no charge or for a nominal charge; or
- b) consumption in the production process of goods to be distributed at no charge or for a nominal charge

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis for allocating cost to inventory items is the first in first out (FIFO) method.



# **Molemole Local Municipality**

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Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1.13 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Post Retirement Medical Obligation**

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

Council pays 70% of the contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

#### **Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

#### **Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the relevant employee. Accumulated leave is carried forward and can be used in future periods if the current employee's period's entitlement is not used in full. An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

#### **Staff Bonusses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on the bonus accrued at year end for each employee.

#### **Provision for Performance Bonusses**

# **Molemole Local Municipality**

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## **Accounting Policies**

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A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrues. The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

### **1.14 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### **1.15 Revenue from non-exchange transactions**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Molemole Local Municipality

(Registration number LIM 353)

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### 1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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## **Accounting Policies**

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All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Unauthorised expenditure is disclosed in a note to the Annual Financial Statements.

### **1.18 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred, unless if it is recoverable (i.e. receivable), it will be raised as an asset in the Statement of Financial Position. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure will be de-recognised as soon as the nature of the fruitless and wasteful expenditure has been submitted to Council and a formal Council decision has been taken to condone the expenditure. The Fruitless and Wasteful expenditure is disclosed in a note to the Annual Financial Statements.

### **1.19 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The Irregular expenditure is disclosed in a note to the Annual Financial Statements.

## **Molemole Local Municipality**

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Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies**

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#### **1.20 Provisions**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

#### **1.21 Retirement Benefits**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

## **Molemole Local Municipality**

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Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies**

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#### **1.22 Impairment of Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## Molemole Local Municipality

(Registration number LIM 353)

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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#### 2. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2 151 999	(259 998)	1 892 001	2 091 000	(216 666)	1 874 334

#### Reconciliation of investment property - 2016

	Opening balance	Transfers received	Depreciation	Total
Investment property	1 874 334	61 000	(43 333)	1 892 001

#### Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	1 917 668	(43 333)	1 874 334

## Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment

	2016		2015	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
				Accumulated depreciation and accumulated impairment
				Carrying value
<b>Land and Building</b>	<b>48 494 334</b>	<b>(2 324 787)</b>	<b>46 169 547</b>	<b>47 507 618</b>
Land	22 256 319	-	22 256 319	21 851 269
Buildings	26 238 015	(2 324 787)	23 913 228	25 656 349
<b>Infrastructure assets</b>	<b>50 832 737</b>	<b>(9 507 982)</b>	<b>41 324 755</b>	<b>46 911 434</b>
Electricity Network	14 311 615	(2 323 906)	11 987 709	12 484 906
Roads	36 521 122	(7 184 076)	29 337 046	34 426 528
<b>Community Assets</b>	<b>38 830 343</b>	<b>(3 596 701)</b>	<b>35 233 642</b>	<b>33 388 443</b>
Community Buildings	21 639 731	(1 681 723)	19 958 008	21 404 557
Recreational Facilities	10 939 109	(1 153 734)	9 785 375	6 973 956
Taxi Rank	6 251 503	(761 244)	5 490 259	5 009 930
<b>Other Assets</b>	<b>33 924 515</b>	<b>(10 829 785)</b>	<b>23 094 730</b>	<b>26 437 240</b>
Air Conditioners	250 220	(95 106)	155 114	254 928
Computer equipment	2 673 490	(1 713 840)	959 650	1 967 625
Furniture and fixtures	2 190 254	(1 044 049)	1 146 205	2 091 726
Motor vehicles	12 394 685	(3 198 421)	9 196 264	10 843 952
Office equipment	3 230 309	(1 454 568)	1 775 741	1 778 951
Plant and Equipment	9 874 757	(2 392 333)	7 482 424	6 659 573
Security Measures	3 310 800	(931 468)	2 379 332	2 840 485
<b>Finance Leased Assets</b>	<b>1 706 970</b>	<b>(1 572 284)</b>	<b>134 686</b>	<b>1 706 970</b>
Other leased Assets	1 706 970	(1 572 284)	134 686	1 706 970
<b>Total</b>	<b>173 788 899</b>	<b>(27 831 539)</b>	<b>145 957 360</b>	<b>155 951 705</b>
				<b>(20 245 345)</b>
				<b>135 706 360</b>



## Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Additions - work in progress	Disposals	Transfers received	Transfers	Revaluations	Depreciation	Total
<b>Land and Building</b>	<b>45 985 760</b>	-	603 666	-	-	(19 348)	405 050	(804 895)	<b>46 169 547</b>
Land	21 851 269	-	-	-	-	-	405 050	-	22 256 319
Buildings	24 134 491	-	603 666	-	-	(19 348)	-	(804 895)	23 913 228
<b>Infrastructure assets</b>	<b>39 926 763</b>	<b>945 760</b>	<b>3 103 469</b>	-	-	-	-	<b>(2 653 749)</b>	<b>41 324 755</b>
Electricity Network	10 466 179	945 760	1 008 875	-	-	-	-	(433 017)	11 987 709
Roads	29 460 584	-	2 094 594	-	-	-	-	(2 220 732)	29 337 046
<b>Community Assets</b>	<b>30 699 921</b>	-	<b>4 490 153</b>	-	-	-	<b>951 747</b>	<b>(948 637)</b>	<b>35 233 642</b>
Community Buildings	20 344 322	-	-	-	-	-	235 174	(631 088)	19 958 008
Recreational Facilities	5 916 519	-	3 965 153	-	-	-	-	(96 297)	9 785 375
Taxi Rank	4 439 080	-	525 000	-	-	-	716 573	(221 252)	5 490 259
<b>Other Assets</b>	<b>18 617 836</b>	<b>4 859 695</b>	-	<b>(177 121)</b>	<b>2 829 193</b>	<b>68 958</b>	-	<b>(3 081 103)</b>	<b>23 094 730</b>
Air Conditioners	183 204	-	-	(19 208)	14 500	8 434	-	(30 431)	155 114
Computer equipment	796 363	-	-	(5 181)	425 880	4 342	-	(546 402)	959 650
Furniture and fixtures	1 204 265	285 166	-	-	123 020	(9 521)	-	(169 569)	1 146 205
Motor vehicles	8 503 621	-	-	-	1 550 733	-	-	(858 090)	9 196 264
Office Equipment	1 017 575	740 598	-	(4 300)	715 060	644	-	(693 336)	1 775 741
Plant and Equipment	4 759 006	3 363 616	-	(148 432)	-	65 059	-	(538 490)	7 482 424
Security Measures	2 153 802	470 315	-	-	-	-	-	(244 785)	2 379 332
<b>Finance Leased Assets</b>	<b>476 080</b>	-	-	-	-	-	-	<b>(341 394)</b>	<b>134 686</b>
Other leased Assets	476 080	-	-	-	-	-	-	(341 394)	134 686
	<b>135 706 360</b>	<b>5 805 455</b>	<b>8 197 288</b>	<b>(177 121)</b>	<b>2 829 193</b>	<b>49 610</b>	<b>1 356 797</b>	<b>(7 829 778)</b>	<b>145 957 360</b>

# Molemole Local Municipality

(Registration number LIM 353)  
Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Restated Opening balance	Additions	Additions - work in progress	Disposals	Transfers / Revaluations	Restated Depreciation	Restated closing Carrying value
<b>Land and Building</b>	<b>40 781 219</b>	<b>23 509</b>	<b>2 285 831</b>	-	<b>3 749 999</b>	<b>(854 800)</b>	<b>45 985 761</b>
Land	19 308 910	-	-	-	2 542 359	-	21 851 269
Buildings	21 472 309	23 509	2 285 831	-	1 207 640	(854 800)	24 134 492
<b>Infrastructure assets</b>	<b>42 224 910</b>	<b>892 669</b>	<b>1 175 447</b>	-	<b>(2 244 569)</b>	<b>(2 121 769)</b>	<b>39 926 763</b>
Electricity Network	9 183 721	567 257	1 103 217	-	-	(388 016)	10 466 179
Roads	33 041 189	325 412	72 230	-	(2 244 569)	(1 733 753)	29 460 584
<b>Community Assets</b>	<b>26 260 640</b>	<b>528 563</b>	<b>4 702 320</b>	-	-	<b>(791 602)</b>	<b>30 699 921</b>
Community Buildings	20 285 971	528 563	48 405	-	-	(518 618)	20 344 322
Recreational Facilities	1 782 819	-	4 224 915	-	-	(91 214)	5 916 519
Taxi Rank	4 191 850	-	429 000	-	-	(181 770)	4 439 080
<b>Other Assets</b>	<b>17 735 408</b>	<b>3 280 825</b>	<b>511 482</b>	<b>(612 479)</b>	-	<b>(2 297 400)</b>	<b>18 617 835</b>
Air Conditioners	178 585	31 450	-	-	-	(26 830)	183 204
Computer equipment	1 238 379	219 684	-	(153 933)	-	(507 767)	796 363
Furniture and fixtures	1 281 552	92 894	-	(18 239)	-	(151 942)	1 204 265
Motor vehicles	7 533 139	1 760 634	-	(144 343)	-	(645 808)	8 503 621
Office equipment	758 061	543 055	-	(83 672)	-	(255 545)	1 017 575
Plant and machinery	5 063 827	446 242	-	(212 292)	-	(483 095)	4 759 005
Security Measures	1 681 865	186 866	511 482	-	-	(226 413)	2 153 802
<b>Finance Leased Assets</b>	<b>1 262 222</b>	-	-	-	-	<b>(786 142)</b>	<b>476 080</b>
Other leased Assets	1 262 222	-	-	-	-	(786 142)	476 080
	<b>128 264 399</b>	<b>4 725 566</b>	<b>8 675 080</b>	<b>(612 479)</b>	<b>1 505 430</b>	<b>(6 851 713)</b>	<b>135 706 360</b>

## Molemole Local Municipality

(Registration number LIM 353)

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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#### 3. Property, plant and equipment (continued)

##### Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	1 539 436	13 223 419	511 482	15 274 337
Additions/capital expenditure	3 103 469	5 093 819	470 315	8 667 603
Transferred to completed items	(396 389)	(8 209 214)	(627 830)	(9 233 433)
	<b>4 246 516</b>	<b>10 108 024</b>	<b>353 967</b>	<b>14 708 507</b>

##### Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	363 989	6 235 268	-	6 599 257
Additions/capital expenditure	1 175 447	6 988 151	511 482	8 675 080
	<b>1 539 436</b>	<b>13 223 419</b>	<b>511 482</b>	<b>15 274 337</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

An independent valuer, A & Sons Property Valuers, was appointed by the Molemole municipality to determine the fair value of its Land and Buildings.

Fair value is determined by reference to the market based evidence. The date of the revaluation was June 2016.

#### 4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 788 310	(988 718)	799 592	1 660 239	(525 183)	1 135 056

##### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Transfers received	Amortisation	Total
Computer software, other	1 135 056	98 631	29 440	(463 535)	799 592

##### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	747 130	694 873	(306 967)	1 135 036

#### 5. Heritage assets

	2016	2015

## Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

Figures in Rand 2016 2015

#### 5. Heritage assets (continued)

	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	368 150	-	368 150	368 150	-	368 150

#### Reconciliation of heritage assets 2016

	Opening balance	Total
Mayoral Chain	368 150	368 150

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Mayoral Chain	368 150	368 150

#### 6. Other Debtors

Other Debtors consist of the following:

Sundry Debtors	82 605	241
CDM Water Debtor	11 048 636	8 750 399
Auctioneer	-	477 925
National Treasury Debtor	1 119 645	1 119 645
Traffic Fines	980 723	799 972
Itron Debtor	35 715	-
	<b>13 267 324</b>	<b>11 148 182</b>

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### 7. Employee benefit obligations

#### Post-employment Health Care Benefits

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Discovery;
- LA Health;
- Hosmed;
- Samwumed; and
- Keyhealth.

The Municipality's Accrued Unfunded Liability at 30 June 2016 is estimated at R7 112 585. The Current-service Cost for the year ending 30 June 2016 is estimated at R546 880. It is estimated to be R546 880 for the ensuing year.

Key actuarial assumptions used:

#### Rate of Interest

Discount Rate	9.74%	9.16%
Health Care Cost	8.74%	8.19%
Net Effective Discount Rate	0.92%	0.89%

The amount recognised in the Statement of Financial Position are as follows:

#### Present Value of fund obligations

Opening Balance	7 112 585	6 187 523
	<b>7 112 585</b>	<b>6 187 523</b>
Present value of fund obligation at the beginning of the year	6 187 523	5 025 489
Total Expenses	1 040 369	889 101
Current service cost	546 880	481 931
Interest cost	563 713	465 946
Benefits paid	(70 224)	(58 776)
Actuarial (gains)/losses	(115 307)	272 933
Present value of fund obligation at the end of the year	7 112 585	6 187 523
Less : transfer of current portion	(97 512)	(70 224)
<b>Balance 30 June</b>	<b>7 015 073</b>	<b>6 117 299</b>

### 8. Inventories

Consumable Stores - Stationery and materials - At cost	189 822	214 618
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#### Inventory pledged as security

No inventory assets were pledged as security for liabilities

### 9. Receivables from exchange transactions

Trade debtors	5 677 940	9 837 544
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#### Service Receivables

Electricity	4 085 044	7 195 312
Refuse	5 229 980	7 170 126
Less: Allowance for Doubtful Debts	(5 086 930)	(9 994 026)
	<b>4 228 094</b>	<b>4 371 412</b>

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### 9. Receivables from exchange transactions (continued)

#### Other Receivables

Other arrears	3 194 192	17 962 934
Less: Allowance for Doubtful Debts	(1 744 346)	(12 496 802)
	<b>1 449 846</b>	<b>5 466 132</b>

#### Total Net Trade Debtors from Exchange Transactions

Service Receivables	4 228 094	4 371 412
Other Receivables	1 449 846	5 466 132
	<b>5 677 940</b>	<b>9 837 544</b>

#### Electricity: Ageing

Current (0 - 30 days)	156 094	230 954
31 - 60 days	122 741	149 131
61 - 90 days	110 833	162 243
+90 days	3 695 376	6 652 984
<b>Total</b>	<b>4 085 044</b>	<b>7 195 312</b>

#### Refuse: Ageing

Current (0 - 30 days)	143 449	136 517
31 - 60 days	141 010	129 519
61 - 90 days	139 747	128 296
+90 days	4 805 775	6 775 794
<b>Total</b>	<b>5 229 981</b>	<b>7 170 126</b>

#### Other Debtors: Ageing

Current (0 - 30 days)	126 405	367 379
31 - 60 days	122 638	377 243
61 - 90 days	121 091	370 624
+90 days	2 824 057	16 847 689
<b>Total</b>	<b>3 194 191</b>	<b>17 962 935</b>

### 10. Receivables from non-exchange transactions

#### Receivables from non-exchange transactions pledged as security

Trade Debtors - Property Rates	16 470 852	8 679 257
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#### Property Rates Receivables

Taxes - Rates	36 287 363	28 521 979
Less: Allowance for Doubtful Debts	(19 816 511)	(19 842 722)
	<b>16 470 852</b>	<b>8 679 257</b>

#### Ageing of Receivables from Non-Exchange Transactions

#### Rates: Ageing

Current (0 - 30 days)	902 605	749 317
31 - 60 days	866 810	722 152
61 - 90 days	856 450	718 874
+90 days	33 661 498	26 331 636
<b>Total</b>	<b>36 287 363</b>	<b>28 521 979</b>

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### 10. Receivables from non-exchange transactions (continued)

Debts are required to be settled after 30 days, interest is charged after this date at 15%. The fair value of trade and other receivables approximates their carrying amounts.

### 11. VAT receivable

Opening Balance	514 058	(16 827)
Change during the year	4 926 134	530 885
	<b>5 440 192</b>	<b>514 058</b>

VAT is claimable on the invoice basis. VAT is claimed from SARS once an invoice has been received from creditors.

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9 347	10 000
Bank balances	8 484 926	16 513 756
Call investment deposits	26 159 848	14 810 843
	<b>34 654 121</b>	<b>31 334 599</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Nedbank - Primary Account - 146 700 0442	10 850 656	7 000 442	4 155 362	5 333 041	1 863 728	1 611 630
Nedbank - Grants account - 1013994825	3 151 885	7 886 065	16 087 417	3 151 885	14 650 108	16 087 337
Nedbank - Call Investment Deposit - 03/7411508977/000001	26 159 848	14 810 843	8 972 348	26 159 848	14 810 843	8 972 348
<b>Total</b>	<b>40 162 389</b>	<b>29 697 350</b>	<b>29 215 127</b>	<b>34 644 774</b>	<b>31 324 679</b>	<b>26 671 315</b>

The unspent conditional grants at 30 June 2016 amounts to R 2 018 664. The Grants bank account reflects an amount of R 3 151 885. There is a difference of R 1 133 300. The R 1 133 300 was transferred from the grants bank account to the primary bank account after year end.

### 13. Revaluation reserve

Opening balance	39 671 288	38 989 774
Change during the year	1 417 797	681 514
	<b>41 089 085</b>	<b>39 671 288</b>

### 14. Finance lease obligation

#### Minimum lease payments due

- within one year	299 325	519 735
- in second to fifth year inclusive	-	299 325
	299 325	819 060
less: future finance charges	-	(519 735)
<b>Present value of minimum lease payments</b>	<b>299 325</b>	<b>299 325</b>

Non-current liabilities	-	299 325
Current liabilities	299 325	519 735

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### 14. Finance lease obligation (continued)

	299 325	819 060
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The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest Rate	Annual Escalation	Lease Term	Maturity Date
Datamaster Office Automation	Photocopy machine	9,50%	8%	5 Years	30-11-2016
Datamaster Office Automation	Photocopy machine	9,50%	8%	5 Years	30-11-2016

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	91 280	658 587
Finance Management Grant	110 925	-
Municipal System Improvement Grant	-	404 128
CDM - Taxi Rank	10 940	412 516
CDM - Mogwadi Community Hall	32 435	32 435
Expanded public works program	6 256	-
CDM Operational and Maintenance	1 098 405	1 098 405
Integrated transport plan	500 000	500 000
Audit Committee Facilities	148 288	400 000
Community Waste collection	20 135	143 150
	<b>2 018 664</b>	<b>3 649 221</b>

### Movement during the year

Balance at the beginning of the year	3 649 220	4 251 666
Additions during the year	139 833 857	123 136 932
Conditions met - Operating	(111 171 445)	(94 361 874)
Conditions met - Capital	(29 551 111)	(28 227 629)
Adjustments/corrections	(741 857)	(1 149 875)
	<b>2 018 664</b>	<b>3 649 220</b>

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

### 16. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	6 481 380	1 350 011	-	7 831 391
Employee benefit cost	2 203 076	393 995	(130 570)	2 466 501
	<b>8 684 456</b>	<b>1 744 006</b>	<b>(130 570)</b>	<b>10 297 892</b>

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Landfill site rehabilitation	4 942 223	1 539 157	6 481 380
Employee benefit cost	1 324 259	878 818	2 203 076
	<b>6 266 482</b>	<b>2 417 975</b>	<b>8 684 456</b>



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#### 16. Provisions (continued)

##### Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of

R 7 831 391 (2015: R 6 481 380) to restore the site at the end of its useful life, estimated to be in the 2025 (soekmekaar landfill site) and 2032 (Dendron Landfill site) financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

##### Long Service Bonus

The Long Service Bonus plans are defined benefit plans. As at year end, 146 employees were eligible for Long Service Bonuses.

The Employer's Unfunded Accrued Liability at 30 June 2016 is estimated at R 2 607 208. The Current-service Cost for the year ending 30 June 2016 is estimated at R 293 371. It is estimated to be R 320 898 for the ensuing year.

Key actuarial assumptions used:

##### Rate of interest

Discount rate	8.68%	8.23%
General Salary Inflation (long-term)	7.45%	7.20%
Nett Effective Discount Rate applied to Long Service Bonusses	1.14%	0.96%

The amounts recognised in the Statement of Financial Position are as follows:

##### Present Value of fund obligation

Balance	2 607 208	2 203 076
<b>Net liability / (asset)</b>	<b>2 607 208</b>	<b>2 203 076</b>

##### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2 203 076	1 508 297
Total expenses	338 798	117 757
Current service cost	293 371	187 196
Interest cost	175 997	114 599
Benefits Paid	(130 570)	(184 038)
Actuarial losses	65 334	577 022
Present value of fund obligation at the end of the year	2 607 208	2 203 076
Less: Transfer of Current Portion	(140 707)	(130 570)
<b>Balance 30 June</b>	<b>2 466 501</b>	<b>2 072 506</b>

#### 17. Other current liabilities

Receipt reversal suspense	14	14
Salary suspense account	(3 509)	4 139
Loans redeemed and advance repaid	-	47 515
Injuries on duty	(429)	-
Unallocated receipts	2 819 902	63 234
Prior Year Roll Over	(106)	(106)
	<b>2 816 730</b>	<b>114 796</b>

#### 18. Current Employee Benefits

Current Portion of Post Retirement Healthcare Benefits	97 512	70 224
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# Molemole Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>18. Current Employee Benefits (continued)</b>		
Current Portion of Long-Service Provisions	140 707	130 570
Staff Leave	5 970 821	5 539 159
<b>Total Current Employee Benefits</b>	<b>6 209 040</b>	<b>5 739 953</b>

The movement in current employee benefits are reconciled as follows:

<b>Provision for Staff Leave</b>		
Balance at Beginning of the year	5 539 159	4 133 474
Contribution to current portion	555 003	1 602 827
Expenditure during the year	(123 341)	(197 142)
<b>Balance at end of year</b>	<b>5 970 821</b>	<b>5 539 159</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

### 19. Payables from exchange transactions

Trade payables	3 363 096	1 545 439
Payments received in advanced	952 556	1 029 381
Retention Creditors	3 648 061	3 318 035
Prepaid electricity not used	164 774	73 139
Salary Accruals	1 176 162	1 235 770
Creditor National Treasury	469 383	469 383
	<b>9 774 032</b>	<b>7 671 147</b>

### 20. Consumer deposits

Electricity	492 592	476 478
	<b>492 592</b>	<b>476 478</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts

### 21. Revenue

Service charges	7 642 189	7 868 111
Rental of facilities and equipment	295 195	310 226
Interest received - outstanding debtors	2 554 030	4 144 675
Licences and permits	3 296 249	3 987 769
Commissions received	2 188 588	1 277 971
Actuarial Gain	115 307	-
Other income	977 932	438 368
Interest received - investment	2 100 559	1 255 011
Property rates	10 850 493	10 319 307
Government grants & subsidies	140 722 555	122 589 504
Fines	1 877 650	1 398 467
	<b>172 620 747</b>	<b>153 589 409</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	7 642 189	7 868 111
Rental of facilities and equipment	295 195	310 226
Interest received - Outstanding debtors	2 554 030	4 144 675
Licences and permits	3 296 249	3 987 769
Commissions received	2 188 588	1 277 971
Actuarial Gain	115 307	-

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## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>21. Revenue (continued)</b>		
Other income	977 932	438 368
Interest received - investment	2 100 559	1 255 011
	<b>19 170 049</b>	<b>19 282 131</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	10 850 493	10 319 307
<b>Transfer revenue</b>		
Government grants & subsidies	140 722 555	122 589 504
Fines	1 877 650	1 398 467
	<b>153 450 698</b>	<b>134 307 278</b>

## 22. Property rates

### Rates received

Property rates	10 850 493	10 319 307
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## 23. Service charges

Sale of electricity	6 090 468	6 378 369
Refuse removal	1 551 721	1 489 742
	<b>7 642 189</b>	<b>7 868 111</b>

## 24. Other income

Advertising signs	2 502	378
Building Plan Fees	16 640	52 503
Clearance Certificates	7 946	20 601
Grave Fees	13 608	7 451
Library membership fees	18 532	226
New Connections	365 539	53 702
Penalties	406	239
Re-Connections	12 798	42 650
Repayment of employee bursary scheme	81 970	-
Sale Of Pre-paid Meters	16 700	994
Sale Of Stands	-	900
Skills Development Levy Refund	170 356	97 669
Refund of tracker	3 034	10 000
Tender Documents	251 567	139 014
Town Planning Fees	16 334	12 041
	<b>977 932</b>	<b>438 368</b>

## 25. Interest received - external investment

### Interest revenue

Interest received - External investments	2 100 559	1 255 011
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## 26. Government grants and subsidies

<b>Operating grants</b>		
Equitable share	106 286 857	89 014 492
Municipal Infrastructure Grant	1 344 460	1 053 183

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## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>26. Government grants and subsidies (continued)</b>		
Finance Management Grant	1 241 657	1 839 164
Municipal System Improvement Grant	930 000	883 585
Community Waste collection	123 015	117 450
Audit Committee Facilities	251 712	-
Expanded Public Works Program	993 744	1 454 000
	<b>111 171 445</b>	<b>94 361 874</b>

### Capital grants

Municipal Infrastructure Grant	28 902 117	27 430 089
Finance Management Grant	247 418	77 688
Municipal System Improvement Grant	-	128 400
CDM - Taxi Rank	401 576	489 060
CDM - Mogwadi Community Hall	-	48 405
CDM - Stadium	-	53 987
	<b>29 551 111</b>	<b>28 227 629</b>
	<b>140 722 556</b>	<b>122 589 503</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	34 435 699	33 575 011
Unconditional grants received	106 286 857	89 014 492
	<b>140 722 556</b>	<b>122 589 503</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services for the geographical area concerned.

See Appendix F and note 15 for a reconciliation of all grants. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Equitable Share

Current-year receipts	106 286 857	89 014 492
Conditions met - transferred to revenue	(106 286 857)	(89 014 492)
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	658 586	879 351
Current-year receipts	30 017 000	28 943 000
Conditions met - transferred to revenue	(1 344 460)	(1 053 183)
Conditions met - transferred to capital	(28 902 117)	(27 430 089)
Other	(337 729)	(680 492)
	<b>91 280</b>	<b>658 587</b>

Conditions still to be met - remain liabilities (see note 15).

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## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>26. Government grants and subsidies (continued)</b>		
Municipal Infrastructure Grant received with conditions to be met.		
<b>Finance Management Grant</b>		
Balance unspent at beginning of year	-	316 852
Current-year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(1 241 657)	(1 839 164)
Conditions met - transferred to capital	(247 418)	(77 688)
	<b>110 925</b>	-
Conditions still to be met - remain liabilities (see note 15).		
Finance Management Grant received with conditions to be met.		
<b>Municipal System Improvement Grant</b>		
Balance unspent at beginning of year	404 128	482 113
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(883 585)
Conditions met - transferred to capital	-	(128 400)
Other	(404 128)	-
	-	<b>404 128</b>
Conditions still to be met - remain liabilities (see note 15).		
Municipal System Improvement Grant received with conditions to be met.		
<b>CDM - Taxi Rank</b>		
Balance unspent at beginning of year	412 516	901 576
Conditions met - transferred to capital	(401 576)	(489 060)
	<b>10 940</b>	<b>412 516</b>
Conditions still to be met - remain liabilities (see note 15).		
CDM - Taxi Rank grant received with conditions to be met.		
<b>CDM - Stadium</b>		
Balance unspent at beginning of year	-	53 987
Conditions met - transferred to capital	-	(53 987)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
CDM - Stadium grant received with conditions to be met.		
<b>CDM - Mogwadi Community Hall</b>		
Balance unspent at beginning of year	32 435	50 000
Current-year receipts	-	30 840
Conditions met - transferred to capital	-	(48 405)
	<b>32 435</b>	<b>32 435</b>

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### Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>26. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 15).		
CDM - Mogwadi Community Hall grant received with conditions to be met.		
<b>Community Waste collection</b>		
Balance unspent at beginning of year	143 150	-
Current-year receipts	-	260 600
Conditions met - transferred to revenue	(123 015)	(117 450)
	<b>20 135</b>	<b>143 150</b>
Conditions still to be met - remain liabilities (see note 15).		
Community Waste collection grant received with conditions to be met.		
<b>Audit Committee Facilities</b>		
Balance unspent at beginning of year	400 000	-
Current-year receipts	-	400 000
Conditions met - transferred to revenue	(251 712)	-
	<b>148 288</b>	<b>400 000</b>
Conditions still to be met - remain liabilities (see note 15).		
Audit Committee Facilities grant received with conditions to be met.		
<b>Integrated Transport Plan</b>		
Balance unspent at beginning of year	500 000	-
Current-year receipts	-	500 000
	<b>500 000</b>	<b>500 000</b>
Conditions still to be met - remain liabilities (see note 15).		
Integrated transport plan grant received with conditions to be met.		
<b>Expanded Public Works Program</b>		
Balance unspent at beginning of year	-	469 383
Current-year receipts	1 000 000	1 454 000
Conditions met - transferred to revenue	(993 744)	(1 454 000)
Other	-	(469 383)
	<b>6 256</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 15).		
Expanded Public Works Program received with conditions to be met.		
<b>CDM Operational and Maintenance (Water)</b>		
Balance unspent at beginning of year	1 098 405	1 098 405
	<b>1 098 405</b>	<b>1 098 405</b>
Conditions still to be met - remain liabilities (see note 15).		

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## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>26. Government grants and subsidies (continued)</b>		
CDM Operational and Maintenance (Water) received with conditions to be met.		
<b>27. Employee related costs</b>		
Basic Salaries	38 794 369	35 896 210
Annual Bonus	2 939 645	3 738 684
Housing Subsidy	92 000	49 232
Subsistence and Travel Claim	1 429 611	1 288 974
Overtime payments	919 299	653 567
Telephone/Cellphone Allowance	891 869	745 606
Acting allowances	50 960	52 072
Leave pay provision charge	546 907	1 610 924
Standby Allowance	162 783	155 867
Travelling/Vehicle Allowance	3 454 906	3 078 519
Long-service awards	575 772	636 014
Clothing Allowance	6 000	6 000
Industrial/Bargaining Council	13 549	12 534
Unemployment Insurance Fund	257 402	247 636
Medical aid - company contributions	2 580 102	2 149 404
Pension Funds	6 770 228	6 319 304
Skills Development Levy	556 545	517 408
Interns Salaries: FMG	423 400	520 458
Danger Allowance	97 000	30 000
PMU - MIG Salaries	1 259 955	962 024
Laptop Allowance	404 783	382 182
	<b>62 227 085</b>	<b>59 052 619</b>

Municipal Manger is appointed on a 3-year fixed contract and the Director Community Services, Director Corporate Services and Director Finance on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

### Remuneration of Municipal Manager

Annual Remuneration	878 902	794 024
Travel, motor car, accommodation, subsistence and other allowances	217 307	219 861
	<b>1 096 209</b>	<b>1 013 885</b>

### Remuneration of Chief Financial Officer

Annual Remuneration	982 211	930 063
Travel, motor car, accommodation, subsistence and other allowances	297 049	294 718
	<b>1 279 260</b>	<b>1 224 781</b>

### Remuneration of Manager Technical Services

Annual Remuneration	741 617	698 939
Travel, motor car, accommodation, subsistence and other allowances	345 523	330 248
	<b>1 087 140</b>	<b>1 029 187</b>

### Remuneration of Manager Corporate Services

Annual Remuneration	792 797	751 721
Travel, motor car, accommodation, subsistence and other allowances	298 675	282 478
	<b>1 091 472</b>	<b>1 034 199</b>

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### 27. Employee related costs (continued)

#### Remuneration of Manager Community Services

Annual Remuneration	822 730	786 138
Travel, motor car, accommodation, subsistence and other allowances	269 939	250 088
	<b>1 092 669</b>	<b>1 036 226</b>

#### Remuneration of Manager Local Economic Development

Annual Remuneration	889 925	842 430
Travel, motor car, accommodation, subsistence and other allowances	194 287	192 311
	<b>1 084 212</b>	<b>1 034 741</b>

### 28. Remuneration of councillors

Executive Major	819 443	702 299
Chief Whip	649 161	532 838
Mayoral Committee Members	1 825 853	1 520 355
Speaker	765 294	566 729
Councillors	4 599 589	4 328 505
	<b>8 659 340</b>	<b>7 650 726</b>

### 29. Depreciation and amortisation

Property, plant and equipment	7 879 189	6 851 712
Investment property	43 333	43 333
Intangible assets	463 535	306 947
	<b>8 386 057</b>	<b>7 201 992</b>

### 30. Finance costs

Finance leases	129 600	225 037
Other interest paid	21 516	22 233
Interest on post retirement benefits	739 710	580 545
	<b>890 826</b>	<b>827 815</b>

### 31. Debt impairment

Debt impairment - provision	37 172 940	12 659 233
Bad debts written off	(26 647 788)	(6 529 005)
	<b>10 525 152</b>	<b>6 130 228</b>

The council approved the debt write off in respect of uncollectable services and its interest.

### 32. Bulk purchases

Electricity - Eskom	8 299 046	7 073 013
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### 33. Contracted services

Security Services	2 901 362	3 106 114
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## Molemole Local Municipality

(Registration number LIM 353)

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>34. General expenses</b>		
Accommodation and Meals	610 249	540 672
Accommodation and Meals : FMG	270 732	121 756
Advertising	146 362	138 898
Advertising : Recruitment	52 518	37 375
Affiliation & Membership Fees : SALGA	765 543	715 147
Audit Committees Expenses	303 018	189 168
Audit Fees - External	2 487 510	2 607 819
Bank charges	288 562	228 353
Beautification Plan	172 500	246 950
Bill: Municipal Electricity	372 633	389 786
Bill: Municipal Water	64 264	46 700
COIDA	518 320	253 611
Career Exhibition	367 800	99 000
Cash Management Services	119 372	115 056
Catering General	57 141	29 609
Cleaning Materials	269 572	228 755
Commission Paid	463 614	213 620
Consultancy Fees	742 715	1 400 155
Data Cleansing	964 314	-
Departmental: Electricity	30	9 800
Departmental: Water	12 797	13 370
EAP	65 001	42 853
Electricity Masterplan	-	926 000
Employee bursary scheme	72 220	-
Environmental & Waste Management	500 825	657 773
Financial Management Support: FMG	-	175 000
Financial System Support	-	273 749
Free Basic Electricity	2 675 560	2 666 536
Free Basic Water	154 227	504 150
Fuel and Oil: Municipal Fleet	1 472 000	1 231 991
Fuel and Oil: Other	6 049	6 725
IDP Expenditure	876 983	-
ITC Wireless Solutions	19 120	448 468
Insurance - General	839 840	758 084
Investor Co-ordination	304 518	-
LED Support Fund	38 570	87 140
Legal Expenses	530 577	1 008 452
Licences - Vehicles	111 950	78 553
Mandela Day	42 129	40 413
Marketing	299 846	324 278
Mayoral Bursary	568 162	513 327
Membership Fees	4 168	-
Other general expenses	526 820	476 062
Plant Hire	22 737	54 160
Policies and By-Laws	2 443	-
Postage and Telephone	308 056	256 929
Printing, Publication & Marketing	372 585	166 068
Promotions and sponsorships	331 795	144 237
Protective clothing	353 644	314 723
Public Participation	835 550	783 288
RAL Roads expenditure	21 346 015	20 258 759
Re-Pegging of sites	81 699	-
Rehabilitation cost	1 350 011	331 516
Rehabilitation cost	1 350 011	-
Rental Building	5 600	33 600
Rental Office Machines : Usage	86 036	138 340
Revaluation of Infrastructure Assets	835 064	-
Special Focus - Woman	534 880	350 942

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## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>34. General expenses (continued)</b>		
Stationery	730 505	714 379
Strategic Planning Expenditure	-	73 654
Subscriptions and Systems Licencing	534 475	143 671
Subsistence and Travelling - Other	30 622	84 550
Telephone Management System	293 235	150 874
Township establishment	297 850	-
Tracking Device System	62 282	80 989
Training SMME	179 000	-
Training and Conferences	493 808	439 228
Training and Education : FMG	339 013	557 831
Transport and freight	65 795	78 081
Valuation Roll Costs	690 844	128 199
Ward Committee Expenses	2 655 200	1 999 462
	<b>52 346 886</b>	<b>45 128 634</b>

### 35. Rental of facilities and equipment

#### Rental of facilities

Premises	238 200	263 386
Rental Grazing	56 995	46 840
<b>Total Rentals</b>	<b>295 195</b>	<b>310 226</b>

### 36. Cash generated from operations

Surplus	14 057 289	13 355 985
<b>Adjustments for:</b>		
Depreciation and amortisation	8 386 057	7 201 992
Actuarial Gain / (Loss)	-	849 955
Finance costs - Finance leases	47 166	-
Profit on the sale of assets	-	53 121
Debt impairment	10 198 833	6 130 228
Movements in retirement benefit assets and liabilities	925 062	1 150 586
Movements in provisions	1 766 461	1 210 333
<b>Changes in working capital:</b>		
Inventories	24 796	114 919
Receivables from exchange transactions	(4 159 604)	(1 810 498)
Consumer debtors	(2 119 142)	(6 529 005)
Other receivables from non-exchange transactions	(7 791 595)	300 856
Payables from exchange transactions	3 145 883	333 911
VAT	(4 926 134)	(530 885)
Unspent conditional grants and receipts	(1 630 556)	(602 445)
Consumer deposits	16 114	4 817
Other Debtor	-	(2 296 116)
	<b>17 940 630</b>	<b>18 991 057</b>

### 37. Commitments

#### Capital Commitments

##### Commitments in respect of Capital Expenditure

• Infrastructure	27 524 294	1 837 575
• Community	-	11 439 560
• Building	-	437 938
• Equipment	-	1 234 538
	<b>27 524 294</b>	<b>14 949 611</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2016	2015		
<b>37. Commitments (continued)</b>				
<b>This expenditure will be financed from :</b>				
Government Grants	27 524 294	12 999 198		
Own Revenue	-	1 550 413		
	<b>27 524 294</b>	<b>14 549 611</b>		
<b>Operating Commitments</b>				
• Commitments in respect of operating expenditure	10 526 095	12 047 006		
<b>This expenditure will be financed from:</b>				
Own Revenue	10 526 095	12 047 006		
<b>Operating leases - as lessee (expense)</b>				
<b>Minimum lease payments due</b>				
- within one year	565 213	245 905		
- in second to fifth year inclusive	471 011	628 994		
	<b>1 036 224</b>	<b>874 899</b>		
<b>38. Contingencies</b>				
Contingent Liability	940 000	1 140 000		
<b>39. Related parties</b>				
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents				
<b>Compensation to accounting officer and other key management</b>				
Remuneration	-	15 779 313		
	-	14 334 494		
<b>Key management information</b>				
<b>Remuneration of the Municipal Manager</b>				
Annual Remuneration	878 902	794 024		
Travel, motor car, accommodation, subsistence and other allowances	214 382	173 152		
S & T	3 375	46 709		
Other	-	-		
	<b>1 096 659</b>	<b>1 013 885</b>		
<b>Chief Financial Officer</b>				
Annual remuneration	982 211	930 063		
Travel, motor car, accommodation, subsistence and other allowances	294 799	271 276		
S & T	2 250	23 442		
	<b>1 279 260</b>	<b>1 224 781</b>		
<b>2016</b>				
<b>Remuneration of individual Executive Directors</b>				
	Local Economic Development	Technical Services	Corporate Services	Community Services
Annual remuneration	889 925	741 617	792 797	822 731
Performance and other bonuses	-	-	66 148	68 456

# Molemole Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>39. Related parties (continued)</b>		
Travel, motor car, accommodation, subsistence and other allowances	192 937	200 612
S & T	1 350	900
	<b>1 084 212</b>	<b>1 092 699</b>

### 2015

	Local Economic Development	Technical Services	Corporate Services	Community Services
Annual Remuneration	847 547	698 939	751 721	786 138
Performance and other bonuses	-	-	65 826	56 631
Travel, motor car, accommodation, subsistence and other allowances	177 000	324 108	207 000	177 000
S & T	10 194	6 140	9 653	16 457
	<b>1 034 741</b>	<b>1 029 187</b>	<b>1 034 200</b>	<b>1 036 226</b>

### Remuneration of Councillors

Mayor( MP Makgato) remuneration,pension, cellphone allowance and housing allowance	812 018	722 541
Speaker (L Moabelo) remuneration,pension, cellphone allowance and housing allowance	758 319	651 330
Chief Whip ( P Rakubu) remuneration,pension, cellphone allowance and housing allowance & disbursements	644 886	565 890
Councillors' allowances and remuneration	6 481 431	5 848 859
Disbursements of councillors	351 218	172 854
	<b>9 047 872</b>	<b>7 961 474</b>

Related party per Councillor	Basic Salary	Allowances	S & T	Total 2016	Total 2015
MP Makgato	581 218	230 800	7 425	819 443	722 541
L Moabelo	464 975	191 823	108 496	765 294	651 330
P Rakubu	435 914	182 137	31 110	649 161	565 890
M.P Paya	240 869	104 757	22 600	368 226	317 899
D Lehong	225 155	99 520	35 540	360 215	354 553
D Matlou	240 869	104 757	3 991	349 617	321 239
R Moseamo	240 869	104 757	45 885	391 511	335 679
A Phihlela	240 869	104 757	10 658	356 284	308 484
M Mapara	175 173	82 859	-	258 032	227 816
S Senwamadi	175 173	82 859	7 032	265 064	227 816
N G Makgalo	175 173	82 859	1 087	259 119	237 918
M Tawana	175 173	82 859	5 564	263 596	231 086
C Matjee	175 173	82 859	3 293	261 325	227 816
P Mehale	175 173	82 859	7 368	265 400	227 816
JHlapa	175 173	82 859	-	258 032	227 816
M P Nkoana	175 173	82 859	2 025	260 057	227 816
A Moyo	175 173	82 859	-	258 032	229 746
M Maila	175 173	82 859	17 610	275 642	227 816
N E Ramalepe	175 173	82 859	2 612	260 644	230 966
A Mahlophe	175 173	82 859	1 125	259 157	240 516
E Rahlana	175 173	82 859	13 715	271 747	247 136
A Makgoka	175 173	82 859	19 816	277 848	227 816
M Masekela	175 173	82 859	-	258 032	231 799
M Malema	175 173	82 859	3 141	261 173	227 816
M E Mphelo	175 173	82 859	-	258 032	227 816
N W Seakamela	175 173	82 859	-	258 032	227 816
M Duba	175 173	82 859	1 125	259 157	228 716
	<b>5 999 025</b>	<b>2 697 629</b>	<b>351 218</b>	<b>9 047 872</b>	<b>7 961 474</b>

# Molemole Local Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>39. Related parties (continued)</b>		
<b>40. Prior period errors</b>		
<b>Statement of Financial Position</b>		
<b>Property Plant and Equipment</b>		
Balance previously reported	140 010 095	
RAL Roads write offs up to 2014/2015	(4 303 736)	
	<u>135 706 359</u>	
<b>Payables from exchange transactions</b>		
Balance previously reported	6 628 149	
Bonus not accrued for in 2014/2015 fin year	1 034 901	
	<u>7 663 050</u>	
<b>Accumulated Surplus - 2015</b>		
Reversal of RAL Roads depreciation i.r.o 2014/2015	(945 965)	
Bonus not accrued for in 2014/2015 fin year	1 034 901	
Leave provision under stated in 2014/2015	8 096	
	<u>97 032</u>	
<b>Accumulated Surplus - 2014</b>		
SARS withhold outstanding UIF ,SDL etc for 2003 to 2009 fin year	(211 533)	
Reversal of deprecion on finance lease incorrectly processed in 2011/2012 fin year	47 514	
RAL Roads write offs up to 2014/2015	5 249 700	
Other	1 921	
	<u>5 087 602</u>	
<b>Statement of Financial Performance</b>		
<b>Depreciation and Amortization</b>		
Balance previously reported	8 147 957	
Reversal of RAL Roads depreciation i.r.o 2014/2015	(945 965)	
	<u>7 201 992</u>	
<b>Employee related cost</b>		
Balance previously reported	58 009 620	
Bonus not accrued for in 2014/2015 fin year	1 034 901	
Annual leave under provided forin 2014/2015 fin year	8 096	
	<u>59 052 617</u>	

## 41. Risk management

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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## Notes to the Annual Financial Statements

Figures in Rand

### 41. Risk management (continued)

At 30 June 2016

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	9 774 032	-	-	-
Other financial liabilities	2 816 730	-	-	-

At 30 June 2015

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	6 628 149	-	-	-
Other financial liabilities	114 796	-	-	-

### Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired:

Non-Exchange Receivables		2016 Percentage	2016 Amount	2015 Percentage	2015 Amount
Rates		100,00%	36 287 363	100,00%	28 521 979
Exchange Receivables		2016 Percentage	2016 Amount	2015 Percentage	2015 Amount
Electricity		32.26%	4 085 044	22.26%	7 195 312
Refuse		41.8%	5 229 981	22.18%	7 170 126
Other		25.5%	3 194 191	55.56%	17 962 934
		<b>100</b>	<b>12 509 216</b>	<b>100,00%</b>	<b>32 328 372</b>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 8 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 15% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

Non-Exchange Receivables		2016 Percentage	2016 Amount	2015 Percentage	2015 Amount
Rates		100%	19 816 511	100,00%	19 842 722

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

#### 41. Risk management (continued)

##### Exchange Receivables

	2016 Percentage	2016 Amount	2014 Percentage	2014 Amount
Electricity	32.6%	2 230 840	22.26%	5 005 774
Refuse	41.8%	2 856 089	22.18%	4 988 252
Other	25.5%	1 744 346	55.56%	12 496 802
	<b>100%</b>	<b>6 831 275</b>	<b>100,00%</b>	<b>22 490 828</b>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (NEDBANK). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

##### Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

##### Foreign exchange risk

The municipality does not engage in foreign currency transactions.

##### Price risk

The municipality is not exposed to price risk

#### 42. Events after the reporting date

Molemole municipality took over 2 wards from Aganang municipality in terms of 2016 National demarcation board decision. The assets and liabilities were not yet transferred as at 30 June 2016.

#### 43. Unauthorised expenditure

Unauthorised expenditure	31 528 847	25 928 496
Add: Unauthorised expenditure - Current year	5 931 685	5 600 351
Less : Amount condoned by council	(25 035 723)	-
	<b>12 424 809</b>	<b>31 528 847</b>

## Molemole Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

#### 43. (continued)

The unauthorized expenditure for the current year relates to bad debt impairment.

#### 44. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	2 614 269	2 592 269
Add: Fruitless and wasteful expenditure - Current year	13 478	22 000
Less : Amount condoned by council	(2 428 129)	-
	<b>199 618</b>	<b>2 614 269</b>

Fruitless and wasteful expenditure relates to interest charged on Eskom accounts.

#### 45. Irregular expenditure

Opening balance	22 563 367	21 223 330
Add: Irregular Expenditure - current year	2 200 593	1 340 037
Less: Amounts condoned by council	(19 097 961)	-
	<b>5 665 999</b>	<b>22 563 367</b>

#### 46. In-kind donations and assistance

The municipality received in kind donation from the National Treasury in the form of Technical services.

#### 47. Additional disclosure in terms of Municipal Finance Management Act

##### Contributions to organised local government

Current year subscription / fee	765 543	715 147
Amount paid - current year	(765 543)	(715 147)
	-	-

##### Audit fees

Current year subscription / fee	2 487 510	2 607 819
Amount paid - current year	(2 487 510)	(2 607 819)
	-	-

##### PAYE and UIF

Current year subscription / fee	11 471 295	10 426 361
Amount paid - current year	(11 471 295)	(10 426 361)
	-	-

##### Pension and Medical Aid Deductions

Current year subscription / fee	8 807 622	8 468 707
Amount paid - current year	(8 807 622)	(8 468 707)
	-	-

##### VAT

VAT receivable	9 226 290	12 041 343
VAT payable	(3 764 049)	(11 527 284)



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## Notes to the Annual Financial Statements

Figures in Rand

### 47. Additional disclosure in terms of Municipal Finance Management Act (continued)

5 462 241 514 059

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

During the year no councillors had arrears accounts outstanding for more than 90 days at 30 June 2016:

During the year no councillors' had arrear accounts outstanding for more than 90 days.

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

Single supplier and sole provider deviations	1 622 146	1 827 457
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### 48. Financial Instruments

Financial Assets	Classification	2016	2015
<b>Investments</b>			
Fixed Deposit	Held to maturity	-	-
<b>Consumer Debtors</b>			
Trade receivables from exchange transactions	Financial instruments at amortised cost	5 677 940	9 837 544
Other receivables from exchange transactions	Financial instruments at amortised cost	29 738 176	19 827 439
Call Deposits	Financial instruments at amortised cost	34 644 774	31 324 599
<b>Bank Balances and Cash</b>			
Cash Floats and Advances	Financial instruments at amortised cost	9 347	10 000
<b>Summary of Financial Assets</b>		- 70 070 237	60 999 582

Financial Liability	Classification	2016	2015
<b>Long-term Liabilities</b>			
Capitalised Lease Liability	Financial instruments at amortised cost	-	299 325
<b>Trade Payables</b>			
Trade Creditors	Financial instruments at amortised cost	9 774 032	6 628 149
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	31 324 599	31 324 599
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Financial instruments at amortised cost	-	-
Capitalised Lease Liability	Financial instruments at amortised cost	299 325	519 735
<b>Summary of Financial Liability</b>		- 41 397 956	38 771 808

### 49. Distribution Losses

#### Electricity Distribution Losses (Units)

Units Purchased	6 620 829	7 306 831
Units Sold	3 912 469	4 798 768
Units loss	2 708 359	2 508 063
Percentage Distribution Loss	41%	34%